

PUBLICATION

HUD Establishes New Increased Mortgage Insurance Premiums for FHA-Insured Loans

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On August 15, 2012, the U.S. Department of Housing and Urban Development (HUD) published a notice in Federal Register Vol. 77, No. 158 setting forth increases to its yearly Mortgage Insurance Premium (MIP) rates for certain Federal Housing Administration (FHA) Multifamily Housing, Health Care Facilities and Hospital Mortgage Insurance programs. The revised MIP rates will be effective for every loan in which the FHA firm commitment is issued on or after October 1, 2012, unless the loan application was submitted to HUD prior to June 1, 2012, in which case the current MIP rates will continue to apply.

The following are some of the key MIP rate increases:

- New Construction or Substantial Rehabilitation of Apartments: The yearly MIP rate for loans under Section 221(d)(4) of the National Housing Act (the Act) increased from 45 basis points to 65 basis points.
- Refinance/Purchase of Multifamily Apartments: The yearly MIP rate for loans under Sections 207/223(f) of the Act increased from 45 basis points to 60 basis points. The first year MIP for these loans remains at 100 basis points.
- Refinance of Existing FHA-Insured Multifamily Apartments: The yearly MIP rate for multifamily apartment loans under Section 223(a)(7) of the Act increased from 45 basis points to 50 basis points. The first year MIP for these loans remains at 50 basis points.
- New Construction or Substantial Rehabilitation of Health Care Facilities: The yearly MIP rate for loans under Section 232 of the Act increased from 57 basis points to 77 basis points.
- Refinance/Purchase of Health Care Facilities: The yearly MIP rate for loans under Sections 232/223(f) of the Act increased from 50 basis points to 65 basis points. The first year MIP for these loans remains at 100 basis points.
- Refinance of Existing FHA-Insured Health Care Facilities: The yearly MIP rate for health care facility loans under Section 223(a)(7) of the Act increased from 50 basis points to 55 basis points. The first year MIP for these loans remains at 50 basis points.
- New Construction of Hospitals: The yearly MIP rate for loans under Section 242 of the Act increased from 50 basis points to 70 basis points.
- Refinance/Purchase of Hospitals: The yearly MIP rate for loans under Section 223(f) of the Act for the refinance or purchase of existing non-FHA insured hospitals increased from 50 basis points to 65 basis points.
- Refinance of Existing FHA-Insured Hospitals: The yearly MIP rate for loans under Section 223(a)(7) of the Act for the refinance of existing FHA-insured hospitals increased from 50 basis points to 55 basis points. The first year MIP for these loans remains at 50 basis points.

Note that there are no MIP rate increases for projects with low-income housing tax credits or other affordable housing loans such as projects with an active project-based Section 8 contract covering any of its units.

Notwithstanding these MIP increases, we expect owners of multifamily apartments and health care facilities to continue to flock to FHA financing in record numbers. Borrowers are currently locking interest rates well below

3 percent per annum fixed for as long as 35 years, and FHA-insured financing is one of the few financing vehicles available that is nonrecourse with no personal guaranty required. In addition, HUD drastically reduced its processing time for health care facility refinancing loans. A year ago, those loans took more than a year to process, and now health care refinancing loans are closing as early as two to three months after submission of the application. For these reasons, FHA-financing continues to be a first choice financing vehicle for most owners of multifamily apartments and health care facilities.